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TAGS: PINR ECON ETRD CO EC
SUBJECT: (C-AL9-01768) COLOMBIA AWAITS IMPLEMENTATION OF DEAL ON ECUADOR'S EXCHANGE RATE SAFEGUARDS

REF: STATE 92995

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¶1. (C/NF) In response to questions raised in reftel, the GOC argues privately that Ecuador's July 10 decision to impose exchange rate safeguards on Colombian goods was politically motivated. Some have also suggested that Ecuador's move was in response to the Andean Community (CAN) ruling that Ecuador could not revoke CAN members' preferences as part of its January 2009 imposition of balance-of-payments safeguards (a separate set of safeguars applied to its trading partners worldwide for one year).

¶2. (C/NF) GOC interlocutors point out that, while the Colombian peso did depreciate significantly between June 2008 and February 2009, this depreciation was due to global economic forces, not Colombian Central Bank intervention. It is worth noting that from the peso's recent weakest point (2596 pesos per dollar on February 25, 2009) until the day of Ecuador's exchange rate safeguard decision (2105 pesos on July 10, 2009) the peso actually appreciated by 23 percent (in nominal dollar-per-peso terms).

¶2. (C/NF) According to Colombian Trade Ministry's Director for Economic Integration Alfredo Ramos, the two countries reached an agreement (in the absence of diplomatic relations) on August 8, 2009, whereby Ecuador would phase out the exchange rate safeguards. Safeguards on roughly half of the 1,346 tariff classifications were removed immediately (primarily on goods that Colombia does not export to Ecuador) with the remaining tariff classifications to be freed from the measures in 60 days (October), 120 days (December) or 180 days (February). GOC officials expressed cautious optimism that Ecuador would comply with the agreement's timetable.

¶3. (C/NF) The two CAN decisions (Resolutions 1250 and 1251) are available in Spanish on the CAN's website
by following the link
"Documentos Oficiales" and then "Resoluciones." The practical effects of the resolutions were rendered moot by the August 8 bilateral agreement. Nonetheless, the GOC is concerned by the precedent of what it sees as a politicized CAN decision motivated by Ecuador's threat to withdraw from the CAN. In fact, the two resolutions appear to be contradictory, giving further credence to GOC and Colombian business community allegations that the CAN was merely trying to appease each side, rather than act as an impartial arbiter.
Brownfield